

CLEAN WATER STATE REVOLVING FUND

ANNUAL REPORT

STATE OF OREGON
DEPARTMENT OF ENVIRONMENTAL QUALITY

FOR THE FISCAL YEAR 2001:
JULY 1, 2000 THROUGH JUNE 30, 2001

DRAFT

Prepared by:

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INTRODUCTION

This annual report is submitted to the Environmental Protection Agency (EPA) by the Oregon Department of Environmental Quality (DEQ) for the State fiscal year 2001 (July 1, 2000 through June 30, 2001). This report documents DEQ success in achieving the goals and objectives of its Clean Water State Revolving Fund (CWSRF) Program as identified in the 2001 Intended Use Plan, Operating Agreement and Capitalization Grant Applications. In addition to addressing these documents, this report reflects the sources and uses of all CWSRF funds during this period, and documents the financial performance of the Program.

The table below shows the capitalization funding of the Clean Water State Revolving Fund since its inception through June 2001. It shows federal capitalization grants received from EPA and state matching funds, as well as how funds are allocated between loans and fund administration.

CWSRF CAPITALIZATION

Federal Fiscal Year	Capitalization Grant Award	20% State Match	Administrative Allowance (4% of Grant)	Net Available for Loans
1989	10,655,073	2,131,015	(426,203)	12,359,885
1990	11,021,373	2,204,275	(440,855)	12,784,793
1991	23,183,622	4,636,724	(927,345)	26,893,001
1992	21,949,191	4,389,838	(877,968)	25,461,061
1993	21,712,581	4,342,516	(868,503)	25,186,594
1994	13,472,415	2,694,483	(538,897)	15,628,001
1995	13,914,054	2,782,811	(556,562)	16,140,303
1996	22,791,123	4,558,224	(911,645)	26,437,702
1997	7,011,959	1,402,392	(280,478)	8,133,873
1998	15,211,548	3,042,310	(608,462)	17,645,396
1999	15,212,835	3,042,568	(608,513)	17,646,890
2000	15,161,256	3,032,251	(606,450)	17,587,057
2001	15,026,517	3,005,303	(601,061)	17,430,759
Totals	\$206,323,547	\$41,264,710	(\$8,252,942)	\$239,335,315

OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY
Clean Water State Revolving Fund Loan Program
Combining Balance Sheet
As of June 30, 2001 and 2000

ASSETS	-----2001-----		Total	@ 2000
	SRF	Administration		
Current Assets:				
Cash and Cash Equivalents	37,322,130	2,348,459	39,670,589	53,007,004
Current Receivables				
Loan Interest	6,875,736	0	6,875,736	4,793,192
Investment Interest	0	0	0	0
Due From Other Funds	67,792	67,792	135,584	151,482
Current portion of loans receivable	<u>6,955,306</u>	<u>0</u>	<u>6,955,306</u>	<u>14,735,814</u>
Total Current Receivables	13,898,834	67,792	13,966,626	19,680,488
Consumable Inventories	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,929</u>
Total Current Assets	51,220,964	2,416,251	53,637,215	72,690,421
Non-Current Assets:				
Loans Receivable, net of Current Portion	220,208,471	0	220,208,471	183,217,087
Equipment, Net of Depreciation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Non-Current Assets	220,208,471	0	220,208,471	183,217,087
Total Assets	<u>271,429,435</u>	<u>2,416,251</u>	<u>273,845,686</u>	<u>255,907,508</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts Payable	0	4,947	4,947	4,846
Payroll Payable	0	47,823	47,823	50,763
Unearned Interest	0	0	0	2,204
Construction Costs Payable	775,694	0	775,694	941,051
Due To Other Funds	<u>67,792</u>	<u>138</u>	<u>67,930</u>	<u>75,849</u>
Total Liabilities	843,486	52,908	896,394	1,074,713
Fund Equity:				
Contributed Capital				
Environmental Protection Agency	194,099,814	0	194,099,814	189,429,528
State of Oregon	41,264,710	0	41,264,710	38,259,407
Fund Balance	<u>35,221,425</u>	<u>2,363,343</u>	<u>37,584,768</u>	<u>27,143,860</u>
Total Fund Equity	<u>270,585,949</u>	<u>2,363,343</u>	<u>272,949,292</u>	<u>254,832,795</u>
Total Liabilities and Fund Equity	<u>271,429,435</u>	<u>2,416,251</u>	<u>273,845,686</u>	<u>255,907,508</u>

The accompanying notes are an integral part of these financial statements.

CLEAN WATER STATE REVOLVING FUND

ANNUAL REPORT

OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY
Clean Water State Revolving Fund Loan Program
Combining Statement of Revenues, Expenses and Changes in Fund Balance
For the Year Ended June 30, 2001 and 2000

	-----2001-----			@ 2000
	SRF	Administration	Total	
Revenues:				
Loan Interest	7,768,309	0	7,768,309	5,799,560
Loan Fees	0	903,383	903,383	506,282
Investment Earnings	<u>2,427,367</u>	<u>104,739</u>	<u>2,532,106</u>	<u>3,429,348</u>
Total Revenues	10,195,676	1,008,122	11,203,798	9,735,190
Expenses:				
Administrative Costs:				
Salaries and Benefits	0	575,835	575,835	539,260
Supplies and Equipment	0	75,869	75,869	92,552
Indirect Costs	0	108,257	108,257	114,701
Depreciation	0	0	0	0
Change in Inventories	<u>0</u>	<u>2,929</u>	<u>2,929</u>	<u>-2,929</u>
Total Expenses	0	762,890	762,890	743,584
Revenue over (under) Expenses	10,195,676	245,232	10,440,908	8,991,606
Transfers In (Out)	-759,841	759,841	0	0
Revenues over Expenses and Transfers	9,435,835	1,005,073	10,440,908	8,991,606
Fund Balance, Beginning of Year	25,785,590	1,358,270	27,143,860	18,152,254
Fund Balance, End of Year	<u><u>35,221,425</u></u>	<u><u>2,363,343</u></u>	<u><u>37,584,768</u></u>	<u><u>27,143,860</u></u>

The accompanying notes are an integral part of these financial statements.

OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY
Clean Water State Revolving Fund Loan Program
Combined Statement of Cash Flows
For the Year Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Cash Flows From Operating Activities:		
Revenues over Expenses and Transfers	10,440,908	8,991,606
Adjustments to Reconcile Operating Income to Net		
Cash Flow Provided by Operating Activities:		
Depreciation	0	0
(Increase) Decrease in Current Assets	-2,063,717	-2,574,462
Increase (Decrease) in Current Liabilities	<u>-12,962</u>	<u>-5,146</u>
Net Cash Provided by Operating Activities	8,364,229	6,411,998
Cash Flows From Capital and Related Financing Activities:		
Funds Received From EPA	4,670,286	45,095,817
Funds Received From The State of Oregon	<u>3,005,303</u>	<u>9,117,129</u>
Net Cash Provided by Capital and Related Financing Activities	7,675,589	54,212,946
Cash Flows From Investing Activities:		
Loan Disbursements	-45,680,314	-79,941,982
Repayment of Loan Principal	<u>16,304,081</u>	<u>8,408,931</u>
Net Cash Used in Investing Activities	-29,376,233	-71,533,051
Increase (Decrease) in Cash and Cash Equivalents	-13,336,415	-10,908,107
Cash and Cash Equivalents, Beginning of Year	53,007,004	63,915,111
Cash and Cash Equivalents, End of Year	<u><u>39,670,589</u></u>	<u><u>53,007,004</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. **Organization of the Fund**

The Oregon Clean Water State Revolving Fund (the Fund) was established pursuant to Oregon Revised Statutes 468.423 – 468.440. The State Revolving Fund (SRF) program replaces an earlier construction grants program. The purpose of the SRF is to provide low interest loans to local governments for the purpose of constructing wastewater treatment facilities, nonpoint source pollution control facilities, and estuary management plans. The loan repayment period ranges from five to 20 years, and all repayments, including interest and principal, must be credited to the State Revolving Fund.

The SRF program is administered by the State of Oregon's Department of Environmental Quality (ODEQ), and consists of various loan funds to record loan and related activity and an administrative fund that collects fees and pays the operating costs of the program, and are collectively referred to as the Fund. The Department's primary responsibilities for the SRF include obtaining capitalization grants from EPA, soliciting potential interested parties for loans, negotiating loan agreements with local communities, reviewing and approving payment requests from loan recipients, monitoring the loan repayments, and conducting inspection and engineering reviews to ensure compliance with all applicable laws, regulations, and program requirements.

The ODEQ oversees administration of the Fund. ODEQ staff charges the Fund for time spent on SRF activities, and the Fund reimburses ODEQ for such costs in the following month. The charges include the salaries and benefits of the employees, as well as indirect costs allocated to the Fund. Employees charging time to the Fund are covered by the benefits available to Oregon State Employees. The Fund is also charged indirect costs through the cost allocation plan for general state expenses.

The Fund financial statements, footnotes, and related schedules are presented for the U.S. Environmental Protection Agency. The Fund is included in the Oregon general purpose financial statements as a special revenue fund which uses the modified accrual basis of accounting. Due to differences in reporting methods, there may be differences between the amounts reported in these financial statements and the general purpose financial statements.

2. **Summary of Significant Accounting Policies**

Basis of Accounting

The financial statements for the Fund are presented as an enterprise fund. As such, the Fund is accounted for using the flow of economic resources measurement focus and is maintained on the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recorded at the time the liabilities are incurred. All assets and liabilities associated with the operations of the Fund are included on the balance sheet. The State has elected to follow the accounting pronouncements of the Governmental Accounting Standards Board (GASB), as well as statements issued by the Financial Accounting Standards Board on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

All monies of the Fund are deposited with the Oregon Treasurer's Office which is responsible for maintaining these deposits in accordance with Oregon law. The Fund considers all such deposits to be cash. Investment interest earnings on these deposits are received by the Fund on a monthly basis. According to State law, the Treasurer is responsible for maintaining the cash balances and investing excess cash of the Fund, as further discussed in Note 3. Consequently, management of the Fund does not have any control over the investment of the excess cash. The statement of cash flows considers all funds deposited with the Treasurer to be cash or cash equivalents, regardless of actual maturities of the underlying investments.

Loans Receivable

The loans are funded by Federal capitalization grants, State matching funds, loan repayments and fund earnings. The SRF monies are disbursed to borrowers on a cost reimbursement basis. When the borrowers have incurred qualifying expenses, they request a loan disbursement from the Fund, and at that time, a disbursement is made and recorded in the Fund accounting records. Interest begins accruing when funds are disbursed to the borrower. After the final disbursement repayment begins with an interest only payment. Full repayment must be received by the Fund within 20 years of project completion. There is no provision for uncollectible accounts, as all repayments are current, and program management believes all loans will be repaid according to the loan terms.

Contributed Capital

In accordance with generally accepted accounting principles (GAAP), funds received from EPA and the State of Oregon for the capitalization of the Fund are recorded under equity as contributed capital.

3. Cash and Cash Equivalents

All cash in the Fund is deposited with the State Treasurer who is responsible for maintaining and investing the pooled cash balances in accordance with State laws. The Treasurer is required to maintain a mix of investments in order to allow funds to be withdrawn at any time to meet normal operating needs. The Fund's share of the investment income is based on the average daily balance for the period and is credited to the Fund monthly. Details of the investments can be obtained from the State Treasurer's Office.

All cash and investments are stated at cost, which approximates fair market value. Investments held by the State Treasurer's Office are not categorized because they are not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Amount</u>	<u>Market Value</u>
Not subject to categorization:		
Deposited with State Treasurer's Office	<u>\$ 39,670,589</u>	<u>\$ 39,670,589</u>

4. Loans Receivable

The Fund makes loans to qualified entities at interest rates ranging from zero percent to 4.71 percent. Rates depend on the length of the loan, the type of loan, and program rules. Prior to 1995 rates were either zero percent or three percent, depending on the length of the repayment period. In 1995 this rule was changed to base loans on the average rate for state and local bond issues. The rate for facilities planning loans is one-half the bond rate, and the rate for design and construction loans is the greater of either two-thirds the bond rate or the bond rate minus 200 basis points (two percent). Maturities are from five to 20 years. Recipients make semiannual or, in some cases, annual payments, starting six months after project completion. Details of loans receivable as of June 30, 2001 are as follows:

	<u>Loan Authorized</u>	<u>Remaining Commitment</u>	<u>Outstanding Balance</u>
Completed projects	\$242,741,169	\$ 0	\$168,311,458
Projects in progress	<u>99,781,897</u>	<u>58,852,319</u>	<u>58,852,319</u>
Totals	<u>342,523,066</u>	<u>58,852,319</u>	<u>227,163,777</u>

Less amounts due within one year	6,955,306
Loans receivable, June 30, 2001	\$220,208,471

Loans mature at various intervals through September 1, 2024. The scheduled minimum principal repayments in future years are as follows:

Year ending June 30:	<u>Amount</u>
2002	\$ 6,955,306
2003	10,162,635
2004	10,990,503
2005	11,060,437
2006	11,442,372
Thereafter	<u>176,552,524</u>
Total	<u>\$227,163,777</u>

Loans to Major Local Agencies:

As of June 30, 2001, the Fund made loans to 12 local governments that totaled \$10,000,000 or more, and in aggregate, exceeded \$240,000,000. The outstanding balances of these loans represent approximately 78 percent of the total loans receivable, as follows:

<u>Borrower</u>	<u>Authorized Loan Amount</u>	<u>Outstanding</u>	<u>Status</u>
City of Ashland	\$ 21,767,068	\$17,909,696	Active
City of Brookings	13,100,000	13,100,000	Active
City of Corvallis	21,963,693	21,767,205	Repayment
City of Dallas	14,880,000	13,744,410	Repayment
City of Eugene	25,592,592	7,102,894	Repayment
City of Florence	13,480,958	11,952,735	Active
City of Gresham	44,768,954	37,701,383	Active
City of Newport	20,228,883	7,766,515	Active
City of Ontario	13,971,689	10,903,061	Repayment
City of Portland	14,105,382	0	Paid
City of Redmond	12,060,000	5,790,660	Active
City of Woodburn	<u>30,349,671</u>	<u>29,684,636</u>	Active
TOTAL	<u>\$ 246,268,890</u>	<u>\$ 177,423,195</u>	

5. Fixed Assets

The only fixed assets are equipment. During fiscal year 2001 there were no purchases of equipment. In response to a recommendation by the EPA Inspector General auditors as a result of the June 30, 1998 audit, fixed assets were written off at June 30, 1999 in the amount of \$834.

6. Contributed Capital

The Fund is capitalized through the Catalog of Federal Domestic Assistance (CFDA) 66.458, Capitalization Grants for SRF, through EPA. These grants have been awarded annually. The State of Oregon must also contribute an amount equal to 20 percent of the federal capitalization amount. Oregon's matching contribution has been provided through appropriation of State general fund resources and general obligation bonds of the State. As of June 30, 2001, EPA has awarded capitalization grants in the amount of \$206,323,547 to the State of Oregon, of which \$194,032,022 has been drawn for loans and administrative expenses. The State has provided matching funds of \$41,264,710. The following summarizes the capitalization grant awards, amounts drawn on each grant as of the balance sheet date, and balances available for loans and administrative costs:

	Grant Amount	Total Draws As of June 30, 2000	2001 Draws	Total Draws as of June 30, 2001	Grant Funds Available June 30, 2001
1989	\$ 10,655,073	\$ 10,655,073	\$ 0	\$ 10,655,073	\$ 0
1990	11,021,373	11,021,373	0	11,021,373	0
1991	23,183,622	23,183,622	0	23,183,622	0
1992	21,949,191	21,949,191	0	21,949,191	0
1993	21,712,581	21,712,581	0	21,712,581	0
1994	13,472,415	13,472,415	0	13,472,415	0
1995	13,914,054	13,914,054	0	13,914,054	0
1996	22,791,123	22,791,123	0	22,791,123	0
1997	7,011,959	6,892,141	119,818	7,011,959	0
1998	15,211,548	14,603,086	608,462	15,211,548	0
1999	15,212,835	14,604,322	39,510	14,643,832	569,003
2000	15,161,256	14,554,806	0	14,554,806	606,450
2001	15,026,517	0	3,910,445	3,910,445	11,116,072
Totals	\$ 206,323,547	\$ 189,353,787	\$ 4,678,235	\$ 194,032,022	\$ 12,291,525

As of June 30, 2000 and 2001, state matching contributions were as follows:

	June 30, 2000	2001 Contribution	June 30, 2001
Oregon State Matching Contribution	\$ 38,259,407	\$ 3,005,303	\$ 41,264,710

7. **Loan Fees**

In order to support administration and project management costs after the federal capitalization grant funds are depleted, loan fees are assessed on all loans originating after 1992. A loan origination fee of 1.5 percent is assessed at the beginning of the repayment period, and an annual fee of 0.5 percent is assessed on the outstanding balance. The fees are deposited to an account outside the Fund and will be used only for administrative and project management costs. Revenues in this account are shown in the table following:

	One Time Fee	Annual Fee	Total
FY 1994	\$ 0	\$ 325	\$ 325
FY 1995	1,189	0	1,189
FY 1996	114,629	33,764	148,393
FY 1997	63,335	59,577	122,912
FY 1998	140,641	72,422	213,063
FY 1999	155,710	83,706	239,416
FY 2000	349,738	156,545	506,283
FY 2001	574,998	328,385	903,383
TOTAL	<u>\$ 1,400,240</u>	<u>\$ 734,724</u>	<u>\$2,134,964</u>

8. **Contingencies, Related Parties, and Subsequent Events**

Contingencies

The Fund is exposed to various risks of loss related to torts, thefts of assets, errors or omissions, injuries to state employees while performing Fund business, or acts of God. The State maintains insurance for all risks of loss which is included in the indirect costs allocated to the Fund.

In previous years the State of Oregon has been named in suits against CWSRF borrowers, by citizens either claiming unlawful sewer rate increases or unlawful debt. These suits have

been decided in favor of our borrowers and the State of Oregon, and we are unaware of any such contingencies in existence at this time.

Related Parties

There are no related party transactions with or related amounts receivable from management of the Fund.

Subsequent Events

There were no subsequent events following the fiscal year end that require disclosure in the notes to these financial statements.

SUPPLEMENTAL INFORMATION

The following schedules provide additional information that may be useful to the financial statement reader. These schedules provide data about future program activity, loan security provisions, and certain U.S. Environmental Protection Agency requirements.

TABLE 1: PROJECT SCHEDULES AND LOAN TERMS

This table documents the planned schedules for active loans, and also lists the loan terms for each of these loans. This table provides an estimate of future demand on the State Revolving Fund.

Borrower	Loan Number	Date Loan Signed	Start Date	Completion Date	Loan Amount	Term (Yrs)	Interest Rate	One-Time Fee	Annual Fee
Ashland	R11750	02/18/1998	10/01/1998	11/00E	21,767,068	20	3.43%	1.5%	0.5%
Bear Creek Valley	R14001	09/18/1996	10/10/1996	1/01E	5,598,406	20	3.98%	1.5%	0.5%
Burns	R19400	09/25/1997	02/01/1999	11/02E	2,100,000	20	3.69%	1.5%	0.5%
Cottage Grove	R24571	01/27/1997	9/01E	11/03E	1,725,000	20	3.77%	1.5%	0.5%
Cottage Grove	R24572	01/27/1997	6/02E	10/04E	3,010,000	20	3.77%	1.5%	0.5%
Dallas	R26111	06/17/1996	04/17/1998	02/01/2000	14,500,000	20	3.93%	1.5%	0.5%
Florence	R33421	09/24/1998	06/05/1999	03/01/2001	13,245,000	20	3.43%	1.5%	0.5%
Garibaldi	R35610	03/24/1997	06/01/1997	05/01/1999	431,474	20	3.77%	1.5%	0.5%
Gov't Camp S.D.	R38350	06/29/1999	06/29/1999	12/08/2000	3,500,000	20	3.39%	1.5%	0.5%
Grants Pass	R38671	06/26/2001	7/1/2001E	6/30/03E	2,734,754	20	3.43%	1.5%	0.5%
Gresham	R39187	09/17/1997	4/99E	9/01E	28,882,704	20	3.69%	1.5%	0.5%
Gresham	R39188	03/20/1998	7/01E	6/02E	832,000	20	3.43%	1.5%	0.5%
Haines	R40350	01/12/2001	2/01E	12/01E	100,000	20	3.75%	1.5%	0.5%
Hines	R44630	12/04/2000	11/00E	1/02E	76,000	5	2.82%	1.5%	0.5%
La Grande	R54330	06/21/2000	07/01/00E	12/02E	6,767,068	20	3.83%	1.5%	0.5%
Lakeside	R54435	06/28/1999	5/01/1999E	10/01E	114,716	5	2.54%	1.5%	0.5%
Miles Crossing	R65230	02/09/2001	02/09/2001	12/01E	80,000	5	2.82%	1.5%	0.5%
Monument	R66390	05/18/1999	05/18/1999	9/01E	200,000	20	3.39%	1.5%	0.5%
Myrtle Creek	R67980	06/29/2001	07/01/2001	1/03E	3,797,397	20	3.43%	1.5%	0.5%
Newport	R68931	12/04/1996	1/99E	9/02E	12,169,671	20	3.84%	1.5%	0.5%
Newport	R68932	12/04/1996	1/99E	9/02E	7,900,000	20	3.84%	1.5%	0.5%
Or WW II S.D.	R70655	11/18/1999	12/01/1999	12/01E	90,000	5	2.86%	1.5%	0.5%
Prairie City	R74420	09/26/2000	10/1/2000E	12/01E	1,045,000	20	3.85%	1.5%	0.5%
Redmond	R76071	03/25/1997	02/01/1999	07/29/2000	12,060,000	20	3.77%	1.5%	0.5%
Redwood S.S.D.	R76080	09/19/1995	12/99E	9/01E	6,009,671	20	3.98%	1.5%	0.5%
Stanfield	R87160	09/19/1997	10/01/1997	9/01E	127,844	5	2.77%	1.5%	0.5%
Unity	R93091	03/03/1998	11/22/1999	12/01/1999	215,175	20	3.43%	1.5%	0.5%
Vale	R93221	05/07/1998	1/99E	12/14/2000	1,300,000	20	3.43%	1.5%	0.5%
Veneta	R93621	02/25/1998	5/00E	08/01/2000	1,283,420	20	3.43%	1.5%	0.5%
Waldport	R94341	08/13/1998	07/01/1998	03/15/2000	750,000	20	3.43%	1.5%	0.5%
Waldport	R94342	11/05/1999	7/01E	7/02E	25,000	5	2.86%	1.5%	0.5%
Warrenton	R94940	03/31/1997	9/98E	05/01/2000	250,000	20	3.77%	1.5%	0.5%
Warrenton	R94941	06/03/1998	8/98E	3/02E	100,000	5	2.60%	1.5%	0.5%
Wedderburn S.D.	R95510	11/22/1999	7/99E	9/01E	85,924	5	2.86%	1.5%	0.5%
Total					\$152,873,292				

(1) Dates followed by an "E" are estimates.

(2) On projects that include construction: The "Start Date" is the Construction Start Date. The "Completion Date" is the Initiation of Operations Date.

(3) Projects are deleted from this list when fully disbursed.

TABLE 2: OUTSTANDING LOANS BY SECURITY PROVISIONS

The table below lists all loan balances (including accrued interest) as of June 30, 2001, grouped by security provisions.

Borrower	Loan Number	General Obligation Bonds	Special Assessmt Bonds	Revenue-Secured Direct Loans				
				First Lien	Parity With Other Loans	Subordinate To Other Loans	Parity With Revenue Bonds	Subordinate To Revenue Bonds
Albany	R10510							1,794,032
Ashland	R11750			18,973,959				
Aurora	R11860			10,965				
Bandon	R12911	1,005,508						
Bandon	R12912			1,044,995				
Bear Creek Valley	R14000			411,059				
Bear Creek Valley	R14001			4,699,931				
Boardman	R16200			14,657				
Brookings	R18230			13,912,380				
Burns	R19400			281,517				
Canyonville	R20590			603,610				
Carlton	R20880				152,455			
Clackamas S.D.	R22401							2,332,622
Clatskanie	R22650			12,862				
Condon	R23721			232,706				
Coquille	R24291			1,098,248				
Corvallis	R24480					511,065		
Corvallis	R24481					21,329,079		
Dallas	R26111			13,964,000				
Eagle Point	R30021			1,581,825				
Eugene	R31793		191,425					
Eugene	R31794		651,369					
Eugene	R31795		1,060,369					
Eugene	R31796		1,037,454					
Eugene	R31797			2,589,659				
Eugene	R31798			1,626,501				
Florence	R33420			136,649				
Florence	R33421			12,373,743				
Garibaldi	R35610			376,788				
Gold Beach	R37810			76,581				
Gov't Camp S.D.	R38350	3,168,797						
Grants Pass	R38670			67,242				
Gresham	R39180							779,925
Gresham	R39181							1,503,167
Gresham	R39182							1,144,585
Gresham	R39183							880,775
Gresham	R39184							1,766,513
Gresham	R39185							2,167,841
Gresham	R39186							3,592,832
Gresham	R39187							27,260,948
Harrisburg	R41900	254,353						
Independence	R47601				693,761			
Lakeside	R54435				77,924			
Lakeview	R54440			2,693,355				

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Miles Crossing	R65230	10,131							
Monument	R66390		148,025						
Mt. Angel	R67210		383,341						
Neskowin	R68650	675,534							
Newport	R68930	18,860							
Newport	R68932	7,899,179							
Ontario	R70610	6,823,664							
Ontario	R70611	1,459,750							
Ontario	R70612	2,726,807							
Oregon City	R70651						649,458		
OR WW 2 Sani. Dist.	R70655	90,741							
Prineville	R74680						1,658,152		
Rainier	R75260	74,184							
Redmond	R76071		5,923,078						
Redwood S.S.D.	R76080	5,848,680							
Rockaway Beach	R78280	33,849							
Roseburg U.S.A.	R78860	745,535							
St. Helens	R80160		928,516						
Sheridan	R83810					263,200			
Siletz	R84460		425,824						
Sisters	R85050		44,321						
Springfield	R86770	793,165							
Springfield	R86771							2,415,993	
Stanfield	R87160					127,140			
Tillamook	R91562	1,350,194							
Tri City Ser.Dist.	R92262	641,093							
Tri-City Sanitary Dist.	R92270	515,328							
Turner	R92630						150,060		
Turner	R92631						40,622		
Umatilla	R93050	19,177							
Unity	R93090	27,169							
Unity	R93091	140,156							
Vale	R93221						1,085,507		
Veneta	R93621						205,116		
Vernonia	R93640						96,543		
Waldport	R94340	80,969							
Waldport	R94341	703,231							
Warrenton	R94940	208,700							
Warrenton	R94941	44,562							
Wedderburn S.D.	R95510	37,693							
Winston-Green	R97790						6,687,110		
Woodburn	R98411	3,775,798							
Woodburn	R98412	27,147,630							
Totals		233,263,816	4,428,658	2,940,617	138,675,011	8,777,245	22,230,484	10,572,568	45,639,233
% of Total		100.0%	1.9%	1.3%	59.5%	3.8%	9.5%	4.5%	19.6%

TABLE 3: BINDING COMMITMENTS AND COMPLIANCE

The table below shows all loans which were signed or received increases or decreases during fiscal year 2001, all administration expense, and compliance with the federal requirement to sign binding commitments (loan agreements) in an amount greater than 120% of federal grant payments within one year of the payment on a cumulative basis.

Borrower	Loan No.	Total at 6/30/00	Qtr. 1 7/00-9/00	Qtr. 2 10/00-12/00	Qtr. 3 1/01-3/01	Qtr. 4 4/01-6/01	FY 2001 Total	Total at 6/30/01
Ashland, City of	R11750	17,969,671			3,797,397		3,797,397	21,767,068
Aurora, City of	R11860	84,018					0	84,018
Bear Creek Valley	R14001	5,598,406					0	5,598,406
Corvallis, City of	R24481	21,263,693					0	21,263,693
Cottage Grove, City of	R24570	145,000			(145,000)		(145,000)	0
Florence, City of	R33421	13,245,000					0	13,245,000
Garibaldi, City of	R35610	431,474					0	431,474
Gov't Camp S.D.	R38350	3,500,000					0	3,500,000
Grants Pass, City of	R38671	0				2,734,754	2,734,754	2,734,754
Gresham, City of	R39187	26,493,294			2,389,410		2,389,410	28,882,704
Haines, City of	R40350	0			100,000		100,000	100,000
Hines, City of	R44630	0		76,000			76,000	76,000
Independence, City of	R47601	3,500,000	(326,327)				(326,327)	3,173,673
La Grande, City of	R54330	2,969,671			3,797,397		3,797,397	6,767,068
Lakeside, City of	R54435	114,716					0	114,716
Lakeview, City of	R54440	2,803,000		(31,667)			(31,667)	2,771,333
Miles Crossing S.D.	R65230	0			80,000		80,000	80,000
Monument, City of	R66390	127,000			73,000		73,000	200,000
Myrtle Creek, City of	R67980	0				3,797,397	3,797,397	3,797,397
Newport	R68931	9,469,671			2,700,000		2,700,000	12,169,671
Ontario, City of	R70612	3,450,000		(721,614)			(721,614)	2,728,386
OR WW II S.D.	R70655	90,000					0	90,000
Prairie City	R74420	0	750,000	199,349		95,651	1,045,000	1,045,000
Rainier, City of	R75260	110,000	(1,315)				(1,315)	108,685
Redmond, City of	R76071	12,060,000					0	12,060,000
Redwood S.S.S.D.	R76080	6,009,671					0	6,009,671
Tillamook, City of	R91562	1,450,000					0	1,450,000
Umatilla, City of	R93051	6,000,000		(1,370,000)			(1,370,000)	4,630,000
Veneta, City of	R93621	6,596,000		(5,312,580)			(5,312,580)	1,283,420

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Waldport, City of	R94341	750,000				0	750,000
Warrenton, City of	R94940	250,000				0	250,000
Warrenton, City of	R94941	100,000				0	100,000
Wasco, City of	R94960	20,000		(20,000)		(20,000)	0
Wedderburn S.D.	R95510	40,000			45,924	45,924	85,924
Winston, City of	R97790	6,940,000				0	6,940,000
Woodburn, City of	R98412	22,969,671		3,000,000		3,000,000	25,969,671
All Other Loans		152,265,334					152,265,334
TOTAL LOANS		326,815,290	422,358	(7,160,512)	15,772,204	6,673,726	342,523,066
Administration Expense		5,784,380	185,804	198,797	186,091	189,150	6,544,222
Total Binding Commitments		332,599,670	608,162	(6,961,715)	15,958,295	6,862,876	349,067,288
Cumulative		332,599,670	333,207,832	326,246,117	342,204,412	349,067,288	
Federal Payments (Prior Year)			7,500,000	15,317,966	15,187,045	7,580,628	45,585,639
Cumulative		145,711,391	153,211,391	168,529,357	183,716,402	191,297,030	191,297,030
Binding Commitments/ Federal Payments		228%	217%	194%	186%	182%	182%

TABLE 4: CAPITALIZATION AND STATE MATCH COMPLIANCE

The table below shows the availability of federal funds according to the grant payment schedule, the actual transfer of state matching funds, and compliance with the requirement that the cumulative state match transfers equal at least 20% of the cumulative federal payments available.

Sources of Funds	Total at 06/30/2000	Qtr. 1 7/00-9/00	Qtr. 2 10/00-12/00	Qtr. 3 1/01-3/01	Qtr. 4 4/01-6/01	FY 2001 Totals	Total at 06/30/2001
Federal Grant Payments:							
89 Grant	10,655,073					0	10,655,073
90 Grant	11,021,373					0	11,021,373
91 Grant	23,183,622					0	23,183,622
92 Grant	21,949,191					0	21,949,191
93 Grant	21,712,581					0	21,712,581
94 Grant	13,472,415					0	13,472,415
95 Grant	13,914,054					0	13,914,054
96 Grant	22,791,123					0	22,791,123
97 Grant	7,011,959					0	7,011,959
98 Grant	15,211,548					0	15,211,548
99 Grant	15,212,835					0	15,212,835
00 Grant	15,161,256					0	15,161,256
01 Grant	0			7,513,259	7,513,258	15,026,517	15,026,517
Total	191,297,030	0	0	7,513,259	7,513,258	15,026,517	206,323,547
Cumulative:	191,297,030	191,297,030	191,297,030	198,810,289	206,323,547		
State Match:							
89 Grant	2,131,015					0	2,131,015
90 Grant	2,204,275					0	2,204,275
91 Grant	4,636,724					0	4,636,724
92 Grant	4,389,838					0	4,389,838
93 Grant	4,342,516					0	4,342,516
94 Grant	2,694,483					0	2,694,483
95 Grant	2,782,811					0	2,782,811
96 Grant	4,558,224					0	4,558,224
97 Grant	1,402,392					0	1,402,392
98 Grant	3,042,310					0	3,042,310
99 Grant	3,042,568					0	3,042,568
00 Grant	3,032,251					0	3,032,251
01 Grant	0			1,502,652	1,502,651	3,005,303	3,005,303
Total	38,259,407	0	0	1,502,652	1,502,651	3,005,303	41,264,710
Cumulative	38,259,407	38,259,407	38,259,407	39,762,059	41,264,710		
State Match/Federal Payments:							
	20.0%	20.0%	20.0%	20.0%	20.0%		20.0%

TABLE 5: DISBURSEMENTS AND FEDERAL DRAWS

The table below shows all loan disbursements, administration expense, and federal draws made during the fiscal year; and compliance with the requirement that cumulative federal draws do not exceed 83.3% of cumulative funds disbursed as of the end of any quarter.

Borrower	Loan No.	Total at 06/30/2000	Qtr.1 7/00-9/00	Qtr.2 10/00-12/00	Qtr 3 1/01-3/01	Qtr 4 4/01-6/01	FY 2001 Total	Total at 06/30/2001
Ashland	R11750	14,547,949	816,227		1,209,252	1,336,268	3,361,747	17,909,696
Bear Creek Valley	R14001	2,478,365	294,011	1,193,595	290,477	48,959	1,827,042	4,305,407
Brookings	R18230	11,965,044	908,615	226,341			1,134,956	13,100,000
Burns	R19400	251,794	11,085	1,196	2,687		14,968	266,762
Dallas	R26111	13,801,376	72,307			108,555	180,862	13,982,238
Florence	R33421	9,226,812	984,508	949,583	656,865		2,590,956	11,817,768
Garibaldi	R35610	385,839					0	385,839
Gov't Camp	R38350	1,894,321	667,025	506,193			1,173,218	3,067,539
Gresham	R39187	16,771,902	6,204,872	1,151,883	1,781,917		9,138,672	25,910,574
Independence	R47601	3,173,673					0	3,173,673
Lakeside	R54435	36,000		28,000	13,600		41,600	77,600
Lakeview	R54440	2,615,472		155,861			155,861	2,771,333
Miles Crossing	R65230	0				10,125	10,125	10,125
Monument	R66390	25,351	12,845	66,228	27,915	12,501	119,489	144,840
Newport	R68932	0		4,839,166	1,833,954	1,074,759	7,747,879	7,747,879
Ontario	R70612	2,627,962		100,424			100,424	2,728,386
Or WW II Sanitary Dist.	R70655	0			89,500		89,500	89,500
Redmond	R76071	8,723,319		1,242,398		574,931	1,817,329	10,540,648
Redwood S.S.S.D.	R76080	2,037,699	1,115,534	1,332,883	772,488	420,963	3,641,868	5,679,567
Stanfield	R87160	117,934					0	117,934
Umatilla	R93051	3,539,646	1,090,354				1,090,354	4,630,000
Unity	R93091	144,505	507		688		1,195	145,700
Vale	R93221	0	184,554	665,408	232,595		1,082,557	1,082,557
Veneta	R93621	556,263	477,157				477,157	1,033,420
Waldport	R94341	704,408	12,801				12,801	717,209
Warrenton	R94940	197,625		1,777			1,777	199,402
Warrenton	R94941	34,761		8,602			8,602	43,363
Wedderburn S.D.	R95510	24,625		12,080			12,080	36,705
Winston-Green	R97790	6,781,331	13,436	7,554	12,685	1,229	34,904	6,816,235
Woodburn	R98412	16,157,280	2,881,481		5,613,771	1,317,139	9,812,391	25,969,671
Fully Disbursed Loans		130,336,711						130,336,711
Total Loan Disbursements		249,157,967	15,747,319	12,489,172	12,538,394	4,905,429	45,680,314	294,838,281
Administration Expense		5,784,380	185,804	198,797	186,091	189,150	759,842	6,544,222
Total Disbursements		254,942,347	15,933,123	12,687,969	12,724,485	5,094,579	46,440,156	301,382,503
Cumulative		254,942,347	270,875,470	283,563,439	296,287,924	301,382,503		
Federal Draws		189,353,787	131,675	199,371	344,367	4,002,822	4,678,235	194,032,022
Cumulative		189,353,787	189,485,462	189,684,833	190,029,200	194,032,022		
Federal Draws/Disbursements:		74.27%	69.95%	66.89%	64.14%	64.38%		64.38%

For fiscal year 2001, proportionality between federal draws and total fund disbursements continued to decline, to just 64.38%, compared to 74.27% at June 30, 2000. This is because the demand for disbursements is greater than the supply of available federal funds. It is anticipated that this trend toward less federal disbursements and more repayment disbursements will continue as demand for loan proceeds remains strong.

TABLE 6: REFINANCING RULE EXCLUSION AND COMPLIANCE

The EPA rules define "refinancing" to include construction costs which have been incurred prior to the signing of the loan agreements. A cumulative exclusion amount of \$2,000,000 per year is available to offset these situations. When the cumulative exclusion is exceeded, payment of the "refinanced" costs will be made ratably over eight quarters. No loans were signed during fiscal year 2001 that included prior construction costs.

	Refinancing Rule Exclusion
Exclusion Available as of 6/30/00	\$17,669,285
Plus FY 2001 Exclusion	2,000,000
Less FY 2001 Exclusion Used	0
Exclusion Available as of 6/30/01	\$19,669,285

TABLE 7: CWSRF FINANCIAL INDICATORS - FY 2001

The following schedule presents the Oregon CWSRF loan program success by documenting the calculation of six financial indicators as developed by the EPA/States Workgroup. These indicators attempt to show Oregon's progress toward funding as many water quality beneficial projects as possible while maintaining the program's equity in perpetuity.

ACTIVITY THRU JUNE 2001:

Indicator #1: Return on Federal Investment

Shows the amount invested in water quality beneficial projects for each federal dollar invested
(total loan disbursements/total federal draws (for loans and administrative costs))

(A) Total Loan Disbursements:	294,838,281
(B) Federal draws for loans:	188,145,798
(C) Federal draws for Admin:	5,886,224
(A)/(B+C)	151.95%

Indicator #2: Percentage of Closed (executed) Loans to Funds Available For Loans

Shows the amount of signed loan agreements compared to the amount of funds available for loans

(A) Amount of signed loan agreements:	342,523,066
(B) Cumulative Cap Grants:	206,323,547
(C) Cumulative State Match:	41,264,710
(D) Loan Principal Repaid:	68,450,198
(E) Operating Profit	
(1) Interest from loans:	18,517,383
(2) Interest from investments:	16,360,931
(3) Administrative Expense:	6,544,221
(A)/(B+C+D+E1+E2-E3)	99.46%

Indicator #3: Percentage of Funds Disbursed to Closed Loans

Shows the amount of funds actually disbursed compared to the amount of signed loan agreements

(A) Total Loan Disbursements:	294,838,281
(B) Total Signed Loan Agreements:	342,523,066
A/B	86.08%

Indicator #4: Benefits of Leveraging

DOES NOT APPLY TO OREGON PROGRAM

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Indicator #5: Perpetuity of Fund

Demonstrates whether the program is maintaining its contributed capital

(A) Interest on Loans	18,517,383
(B) Interest on Investments	16,360,931
(C) Fed. Admin. Allowance	8,252,942
(D) Actual Admin. Costs	6,544,221
A + B + C - D	36,587,035

A positive result indicates the Program is maintaining its capital base

Indicator #6: Estimated Subsidy

An estimate of the CWSRF interest rate subsidy, stated as a percentage of the market rate

(A) Estimated Market Int. Rate:	5.43%
(B) Average CWSRF Loan Rate:	3.82%
A - B	1.61%
(A - B) / A	29.6%

ACHIEVEMENT OF PROGRAM GOALS

The long-term and short-term goals identified in the FY 2001 Intended Use Plan are listed below with a discussion of activities related to each.

Long Term Goals

Goal #1: To protect public health and the waters of the state by offering financial assistance for water pollution control projects.

The Oregon Clean Water State Revolving Fund (CWSRF) continues to make a significant contribution toward accomplishment of this goal. During FY 2001, the CWSRF program signed new loans with six communities for water pollution abatement projects in the total amount of \$7,538,151. Amendments to fifteen existing loans increased project funding by \$8,169,625, bringing total FY 2001 project assistance to \$15,707,776 for 21 communities.

The following table shows the amount of new loans and total net loan funding provided in each year of the program (including loan decreases).

Fiscal Year	# of New Loans		\$ in New Loans and Amendments	
	This Year	Cumulative	This Year	Cumulative
1989-1991	4	4	\$7,421,676	\$7,421,676
1992	22	26	22,004,798	29,426,474
1993	25	51	39,393,294	68,819,768
1994	5	56	10,214,683	79,034,451
1995	7	63	3,925,367	82,959,818
1996	12	75	40,017,705	122,977,523
1997	20	95	60,289,058	183,266,581
1998	22	117	89,961,162	273,227,743
1999	9	126	35,445,740	308,673,483
2000	4	130	18,141,807	326,815,290
2001	6	136	15,707,776	342,523,066

With the addition of \$33,099,183 in new Preliminary Applications during the FY 2002 solicitation period, the CWSRF Priority List now includes 121 projects totaling \$224,210,401 to assist with the abatement of water pollution in Oregon.

Goal #2: To provide financial assistance for the cost of complying with federal and state water quality mandates.

All preliminary project applications for financial assistance are prioritized using four criteria and ranked in the Priority List. The criteria favor projects addressing water quality problems that are the focus of enforcement action by the department. The highest preference is given to projects affecting water bodies unable to handle increased pollution loads without violating water quality standards. See the table on pages 27-28 for the complete list of project ranking criteria.

Of the \$7,538,151 in new loans during FY 2001 \$7,458,151 (98.9%) went to projects that received either 40 or 50 of a maximum 50 points for sensitivity of the receiving water body. These projects also received the maximum 30 possible points for Problem Severity. Both these criteria indicate the Oregon CWSRF provided financial assistance during FY 2001 for projects with demonstrated water quality problems.

Goal #3: To administer the clean water State Revolving Fund to ensure its financial integrity, viability and perpetuity as a source of financial assistance.

The CWSRF Program continues to take a conservative approach to its calculation of funds available for assistance and in its approach to credit risk. Through FY 2001 the Program has not experienced default on any of its loans. Loan interest rates remain below the market rate to meet the program goal of providing low cost financing.

Investment earnings are at the market rate of interest and are managed by the State Treasurer, as required by Statute. Earnings on cash balances contribute significantly to program growth, adding over \$16.3 million to capital through FY 2001. Although the goal of the program is to keep all available funds working for communities in loans, these earnings on undistributed loan proceeds and contingency reserves help offset the "losses" of below market loan interest rates.

The cash flow model used by the program continues to provide a financially sound tool to maximize the loans made to communities while balancing the different factors that affect the timing of projects and disbursement of funds.

Short Term Program Goals

Goal #1: To continue working toward achieving and maintaining the revolving nature of the Fund and to maintain an adequate pace of disbursements compared to receipt of new funds and loan repayments.

The CWSRF Program continues to ensure its integrity and revolving nature as the Fund has grown significantly during FY 2001, from an outstanding balance of \$197,011,851 at the end of FY 2000 to \$226,388,083 at June 30, 2001. The demand for loan funds continues to exceed the supply, a trend that is expected to continue. As the cash reserve of the Fund is reduced, disbursements will follow closely to the supply of funds available. Disbursements during FY 2001 totaled \$45,680,314, compared with \$21,987,642 in loan repayments and \$18,031,820 in new funds (the EPA Capitalization Grant and the related State match). We will continue to use our cash flow model to assist in maximizing future financial assistance while maintaining the financial stability of the Fund.

Goal #2: To provide funding to local communities to the maximum extent possible within the constraints of sound financial management.

Through the use of the Cash Flow Model and analysis of known funding sources, such as the federal Capitalization Grant, related State match and loan repayments, the CWSRF Loan Program provided nearly \$16 Million in financial assistance to Oregon communities during FY 2001. This was not as much funding as was estimated to be available at the start of the year, however loan decreases in the amount of \$7.9 Million caused the total funding provided to appear a little low. In particular, the City of Veneta and the City of Umatilla did not use significant portions of their CWSRF loans, and both those loans were reduced to the amounts actually disbursed for those projects. Those two reductions totaled approximately \$6.7 Million, and skewed the fiscal year funding total downward. Without considering the loan reductions during FY 2001, total assistance provided (through new loans and loan increases) was \$23,636,279. Total available funding was approximately \$25.3 Million for the year.

Goal #3: To facilitate the implementation of non-point source projects through use of the program's funds through development of 2 mechanisms: 1) local government revolving loan funds; 2) linked deposits.

During the 2001 legislative session DEQ introduced a bill (HB2149) requesting the legislature's consideration of the linked deposit mechanism for the CWSRF Loan Program in Oregon. DEQ described this lending technique to various parties, including legislators

and the Oregon Bankers' Association, however the Bill did not receive a hearing. The Bill was then revised to seek approval of the local revolving fund mechanism, however it still did not receive a hearing. We will consider these options again during the 2003 legislative session.

Goal #4: To expand leveraging of the program through participation with other state and federal programs.

DEQ continues to work with other State agencies, in particular the Economic and Community Development Department (OECDD), to educate local Oregon communities about the CWSRF Loan Program and its availability for finance of wastewater-related projects. A key component of this cooperation between the agencies is the One Stop Meetings, which allow local communities to meet with various State and Federal financing organizations to learn about the financing options that may be available for their projects. Another component is DEQ's Environmental Partnerships for Oregon Communities (EPOC) program that works directly with communities around the state regarding economic development and infrastructure needs. This program also educates communities about the availability of the CWSRF and its low cost financing. The EPOC program is working closely with the City of Monument, which is building its first sewage treatment system with financial assistance from both the CWSRF and the OECDD.

Goal #5: To enable tribal governments to participate in the program.

The CWSRF is still willing to explore options for providing financial assistance to tribal governments for wastewater system projects, however there were no applications for such assistance during FY 2001. The CWSRF continues to include tribes in its annual solicitation for applications.

LOAN PORTFOLIO AND ACTIVITIES

PROJECT SELECTION PROCEDURES

Letters of information and solicitation are sent to all cities, service districts, and sanitary districts in the state annually. Completed preliminary applications are ranked on the Priority List based upon criteria and point assignments.

As final applications are received, they are funded in rank order if funds are available. When there are not enough funds for all of the projects that are ready to proceed, allocations of new funds are made on a competitive basis. The cash flow model is updated with the projected schedules for new loans to be sure that cash will be available when needed.

The Available Funds are calculated annually in the Intended Use Plan considering all of the cash flow anticipated for the funding period. The maximum funding for any single borrower is calculated at 15% of the Available Funds. (The maximum may be exceeded when no other requests for increases or unfunded final applications are on hand.) Reserve amounts are calculated as follows:

- (1) Small Community Reserve: 15% of Available Funds for communities with populations of 5,000 or less.
- (2) Facilities Planning Reserve: the lesser of 10% of Available Funds or the total of all preliminary applications for facilities planning loans.

Increases for existing loans are funded first. After increases, applicable projects are funded from the reserves for Small Communities and Facilities Planning. The balance of available funds is used to finance all other projects that have completed final applications in Priority List order. When the reserve funds have been depleted, Small Community and Facilities Planning projects compete with all other projects for funding.

If more funds become available during the year based on the cash flow model, over and above the original Available Funds calculation, additional increases and new loans are funded in Priority Order.

PROJECT PRIORITY LIST CRITERIA

Projects are prioritized according to criteria set out in Oregon Administrative Rule. The citation for this portion of the rule is OAR 340-54-025(3), which is shown below. The maximum number of points that can be assigned to a project is 100.

POINT CRITERIA	POINT ASSIGNMENT	WATER QUALITY DESCRIPTION
Receiving Water Body Sensitivity: (One choice only.)	50	Facility discharges to waters of the state where the EQC has established Total Maximum Daily Loads (TMDL) and associated waste load allocations (WLA).
		Facility discharges to an EPA designated sole source aquifer.
	40	Facility discharges to waters of the state that are listed in the current <u>305(b) Report</u> under the Beneficial Uses column as "not supporting".
		Facility discharges to groundwater that has a documented increase in the concentration of a contaminant above the groundwater background level and levels in Tables 1 or 2 of OAR Chapter 340, Division 40.
		Facility discharges to groundwater located in a designated wellhead protection area.
	30	Facility discharges to waters of the state which are any of the following: (1) Designated as a Wild and Scenic River by the federal government; (2) Designated as a State Scenic Waterway by ORS 390.826; (3) Designated as Outstanding Resource Waters by the EQC; (4) Referenced in OAR 340-41-470 with special restrictions; (5) Determined to be a sensitive estuarine habitat by the DEQ; (6) Listed under Fishes in the latest <u>Endangered and Threatened Wildlife and Plants</u> (50 CFR 17.11 & 17.12) as threatened or endangered in Oregon.
		Facility discharges to groundwater that has a documented increase in the concentration of a contaminant above the groundwater background level but the contamination level is below the levels in Tables 1 and 2 of OAR Chapter 340, Division 40.
		Facility discharges to groundwater located in a designated groundwater management area.
	20	Facility discharges to waters of the state that are listed in the current <u>305(b) Report</u> under the Beneficial Uses column as "partially supporting".
		Facility discharges to groundwater where the contaminant in the discharge is listed in Tables 1 and 2 of OAR Chapter 340, Division 40 and is known to cause groundwater contamination but there is no groundwater quality data available to substantiate the problem.
		Facility discharges to groundwater that has a documented increase in the concentration of a contaminant above the groundwater background level and levels in Table 3 of OAR Chapter 340, Division 40.
		Facility discharges to waters of the state not referenced elsewhere in this criteria.
	10	Facility discharges to the ocean, the Columbia River or the Snake River.
		Facility discharges to groundwater that has a documented increase in the concentration of a contaminant above the groundwater background level but the contamination level is below the levels in Table 3 of OAR Chapter 340,

POINT CRITERIA	POINT ASSIGNMENT	WATER QUALITY DESCRIPTION
		Division 40.

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Enforcement Activities and Water Quality Violations (One choice only)	30	Environmental Quality Commission (EQC) Orders.
		Mutual Agreements and Orders.
		Court Orders.
		Department Orders or permit conditions mandating action.
		EQC rules requiring elimination of a specific water quality problem related to inadequate water pollution control facilities.
		Documented health hazards <u>with</u> associated documented water quality problem.
	20	Noncompliance with the Department's statutes, rules or permit requirements resulting from inadequate water pollution control facilities.
	10	Documented health hazards without documented water quality problem.
		An enforcement order of the Oregon Health Division relating to safe drinking water.
		Existing potential water quality problem as noted by the Department but undocumented.
Affordability (10 pts. max.)	7	The cost per household of the wastewater treatment system (including operation, maintenance, and debt service for prior and new wastewater projects) exceeds 1.5% of the median household income of the community.
	10	The cost per household of the wastewater treatment system (including prior capital improvements outstanding and the proposed project) exceeds 1.75% of the median household income of the community.
Population (10 pts. max.)	LOG(Current Population) ²	Points calculated based upon the population directly affected by the project.

OTHER PROGRAM REQUIREMENTS

FIRST USE

The "first use" requirement of CWSRF funds has been met. All Oregon communities on the National Municipal Policy list have achieved compliance with water quality requirements, are on an enforceable schedule, have an enforcement action filed, or have a funding commitment.

ENVIRONMENTAL REVIEW

Environmental review was completed on all Title II Equivalency projects. On these projects, DEQ reviewed all requests for categorical exclusions, environmental assessments and environmental impact statements submitted by CWSRF borrowers according to the requirements of the National Environmental Policy Act. After incorporation of any DEQ review comments, public comments were solicited through notices published in one statewide and one local newspaper of general circulation. Notices were also mailed directly to other state and federal agencies, and other interested parties.

In October 1999 the State's proposed Alternative Environmental Review Process was sent out for public review. In November 1999 the Procedures Manual, which includes the environmental review process, was submitted to EPA for approval. EPA granted its approval of this document on November 17, 1999.

Environmental review of all projects signing loans after June 1997 has been consistent with this process. The core of the State Environmental Review Process (SERP) is the state's land use planning process. Additional requirements are addressed individually and through the facilities planning review process.

APPLICABLE FEDERAL AUTHORITIES AND LAWS

All State Revolving Fund projects receiving federal funds are required to comply with federal laws and authorities, as identified in the Initial Guidance of January 1988. Specific language agreeing to comply and a list of "cross-cutter" requirements is included in each loan agreement. Compliance is reviewed by each project officer. When all federal funds

have been drawn and disbursed by the program, most of the federal “cross-cutter” requirements will be dropped from new loan agreements. In many cases, state laws provide similar requirements.

At the end of each fiscal year, all borrowers receiving disbursements during the year are sent a statement showing the funding sources of the disbursements. Compliance with the Single Audit Act and OMB Circular A-133 in the annual audit of the Borrower's financial statements is required if "first round" federal funds are "passed through" in loan disbursements.

PUBLIC INVOLVEMENT

Public involvement is provided during development of the Intended Use Plan. Notices are sent to all Oregon jurisdictions, sanitary districts, and many engineering consultants of the opportunity to submit preliminary applications. All public agencies that submit preliminary CWSRF applications are sent excerpts of the draft Intended Use Plan, including the Priority List showing the project rankings. A public notice is published in The Oregonian and Business Journal notifying the general public of the document's availability for review. The complete draft Intended Use Plan is provided upon request. Public comments on the draft Project Priority List and Intended Use Plan are accepted and responded to during a thirty-day public review period, with revisions made as appropriate.

COMPLIANCE WITH TITLE II EQUIVALENCY REQUIREMENTS

1. Introduction to Update

This section of the 2001 Annual Report includes an update to the Title II Equivalency Requirements section as it appeared in the 2000 Annual Report. The Oregon CWSRF loan program believes it has satisfied the Title II Equivalency requirements, however it has not yet received EPA concurrence and, therefore, this section is included in this report. EPA is still reviewing Oregon's related documentation to determine whether the State can be released from these requirements.

The FY2000 Annual Report for the Oregon Clean Water State Revolving Fund included a final section (Pages 32-38) showing the status of Oregon's compliance with the Title II Equivalency Requirements. During the EPA annual review of the Oregon CWSRF program in April 2001 it was noted that Oregon's calculation of the base project amount was incorrect because it did not include all projects for which loan agreements were signed

prior to September 30, 1994. Oregon's calculation of the base included only those projects for which actual construction started by 9/30/94, however the fact that a project was a facilities plan, or that actual construction had not begun by 9/30/94 does not release that project from the Title II requirements. EPA has allowed Oregon to exclude from the base amount those facilities planning projects that were not followed by a construction project also funded by the Oregon CWSRF. Table 2 below is corrected for 2001 to include all applicable projects for which loan agreements were executed by 9/30/94.

2. General Introduction

“Section 602(b)(6) attaches sixteen specific statutory requirements to section 212 publicly-owned treatment works projects constructed ‘in whole or in part before FY 1995 with funds directly made available’ by Federal capitalization grants.” [II.B.6 of Initial Guidance for State Revolving Funds, version 1/28/88]

To meet the requirements of Section 602(b)(6), the state must disburse a certain amount of the State Revolving Fund for projects that qualify as Title II Equivalency Projects. Any project can qualify as an “equivalency project” by meeting the sixteen specific statutory requirements provided in Section 602(b)(6) of the Clean Water Act if they are Section 201(g)(1) projects. These include secondary treatment, advanced treatment, or any cost-effective alternative, new interceptors and appurtenances, and infiltration-inflow correction. Projects meeting this Section 201(g)(1) requirement are listed as "standard" equivalency projects in this report.

In addition, up to 20% of the equivalency requirement may be met with construction projects as defined by Sections 212(2), including collector sewer systems and sewer separation projects to correct Combined Sewer Overflows. Projects qualifying under this 20% Governor's Discretionary Fund are identified as "Collector/CSO" Projects in this Report. An exception was granted to the 20% limitation on collector sewer systems and sewer separation projects for the 1990 and 1991 capitalization grants. Oregon has had a significant need for funding of collector systems in areas of threatened drinking water and has allocated funds at the maximum amount in most years.

3. Calculation of Oregon Equivalency Requirement

The table below shows the cumulative parameters and the resulting weighted average of Collector/CSO projects that may be used to meet the equivalency requirements based upon the capitalization grant awards. Since the requirement is cumulative and can be “banked,” the actual source of project funding is ignored in calculating these parameters.

Table 1: Parameters based on Cap Grant Awards as of 9/30/94

	Minimum Standard Projects	Maximum Collector/CSO Projects	Total Equivalency Requirement
1989	8,524,058	2,131,015	10,655,073
1990	0	11,021,373	11,021,373
1991	0	23,183,622	23,183,622
1992	17,559,353	4,389,838	21,949,191
1993	17,370,065	4,342,516	21,712,581
1994	10,777,932	2,694,483	13,472,415
Total	\$ 54,231,408	\$ 47,762,847	\$ 101,994,255
Parameters	> 53.17%	< 46.83%	

“...in whole or in part before FY 1995...”

According to the definition from the Initial Guidance, only the loan projects constructed “in whole or in part” as of 9/30/94 become a determining factor in calculating the Title II equivalency requirement. In addition, this base is further reduced to only the projects which received federal capitalization funds. However, as EPA has explained, this base must include those projects for which loan agreements were signed by 9/30/94 and ultimately resulted in Oregon CWSRF-funded construction. Below is a list of all CWSRF loans that are included in the base for calculating the equivalency requirement.

Table 2: Base Equivalency Projects

Borrower	Loan No.	Description	Loan Amount
Albany	R10510	Res.Cap./Collector Sewers	5,202,059
Arlington	R11490	Sludge Drying Beds	25,000
Bandon	R12910	Facilities Plan	71,607
Bandon	R12911	Reserve Capacity; Sludge	1,500,000
Bandon	R12912	Reserve Capacity; Sludge	1,500,000
Carlton	R20880	Reserve Capacity	235,900
Clackamas County	R22400	Facilities Plan	663,381
Condon	R23720	Facilities Plan	40,000
Coquille	R24290	Facilities Plan	52,647
Coquille	R24291	Inflow/Infiltration	1,384,953
Corvallis	R24480	Inflow/Infiltration	700,000
Dallas	R26110	Facilities Plan	380,000
Dufur	R29520	Interceptor Replacement	45,318

Borrower	Loan No.	Description	Loan Amount
Eagle Point	R30020	Facilities Plan	65,000
Eugene	R31790	Collector Sewers	1,917,776
Eugene	R31791	Collector Sewers	2,086,526
Eugene	R31792	Collector Sewers	2,086,526
Eugene	R31793	Collector Sewers	3,154,000
Eugene	R31794	Collector Sewers	3,699,572
Eugene	R31795	Collector Sewers	3,109,632
Gold Beach	R37810	Collector Sewers	137,669
Gresham	R39180	Collector Sewers	1,383,200
Gresham	R39181	Collector Sewers	2,221,789
Gresham	R39182	Collector Sewers	1,637,795
Gresham	R39184	Collector Sewers	2,320,340
Gresham	R39185	Collector Sewers	3,777,989
Harrisburg	R41900	STP Improvements	410,000
Independence	R47600	Facilities Plan	30,000
Monroe	R66280	Chlorine Contact Chamber	28,320
Mt. Angel	R67210	Sewage Treatment Plant	583,042
Ontario	R70610	STP Improvements	9,807,366
Oregon City	R70650	Collector Sewers	3,164,162
Oregon City	R70651	Sewer Separation	914,907
Portland	R74160	Collector Sewers	4,063,700
Portland	R74161	Collector Sewers	1,917,776
Prineville	R74680	Sewage Treatment Plant	2,267,286
Rockaway	R78280	Pump Station Rehab	55,627
St. Helens	R80160	Sewer Separation	1,200,000
Sheridan	R83810	System Improvements	390,000
Siletz	R84460	Sewage Treatment Plant	580,000
Springfield	R86770	Interceptor	1,075,000
Vale	R93220	Facilities Plan	85,000
Vernonia	R93640	STP Improvements	121,978
Waldport	R94340	Collector Sewers	276,697
Woodburn	R98410	Facilities Plan	300,000
Total			\$ 66,669,540

Below is a table listing projects that were added or deleted in reaching this revised base and the reason that each was added or deleted.

Table 2a: Added and Deleted Projects

Borrower	Loan No.	Description	Loan Amount	Reason
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Borrower	Loan No.	Description	Loan Amount	Reason
Bandon	R12910	Facilities Plan	71,607	Construction funded by CWSRF
Clackamas Co.	R22400	Facilities Plan	663,381	Construction funded by CWSRF
Condon	R23720	Facilities Plan	40,000	Construction funded by CWSRF
Coquille	R24290	Facilities Plan	52,647	Construction funded by CWSRF
Dallas	R26110	Facilities Plan	380,000	Construction funded by CWSRF
Eagle Point	R30020	Facilities Plan	65,000	Construction funded by CWSRF
Eugene	R31795	Collector Sewers	3,109,632	Loan executed prior to 9/30/94
Gresham	R39185	Collector Sewers	3,777,989	Loan executed prior to 9/30/94
Independence	R47600	Facilities Plan	30,000	Construction funded by CWSRF
Neskowin R.S.A.	R68650	Wastewater Treatment System	-967,359	Loan executed after 9/30/94
Vale	R93220	Facility Plan	85,000	Construction funded by CWSRF
Woodburn	R98410	Facility Plan	300,000	Construction funded by CWSRF
Total			\$ 7,607,897	

Applying the percentage parameters from Table 1, "Parameters based on Cap Grant Awards as of 9/30/94," to limit the eligible collector/CSO projects results in the following corrected equivalency requirement parameters for the state of Oregon.

Table 3: Oregon Equivalency Requirement Parameters

Minimum "Standard" Projects	\$ 66,669,540	x 53.17% =	\$ 35,448,194
Maximum Collector/CSO Projects	\$ 66,669,540	x 46.83% =	\$ 31,221,346
Total Equivalency Requirement			\$ 66,669,540

4. Meeting the Requirement with Equivalency Compliance Projects

In order to be released from Title II requirements as soon as possible, Oregon imposed equivalency requirements on all projects (except for one "small, simple project") from the inception of the program until about July 1996, whether funded with federal or state funds. Each CWSRF loan agreement includes language agreeing to comply with the sixteen Title II requirements of the CWSRF program as well as federal "cross-cutting" requirements. The loan agreement also includes lists of each of these. Compliance with the Title II and "cross-cutting" requirements is monitored by project officers and project engineers. The table below shows the disbursements qualifying for credit toward the equivalency requirements.

Table 4: Equivalency Project Disbursements as of 6/30/2001

Borrower	Loan No.	Project Description	DISBURSEMENTS	
			Standard Projects	Collector/CSO Projects
Albany	R10510	Res.Cap./Collector Sewers	888,541	4,313,518
Arlington	R11490	Sludge Drying Beds	25,000	
Aurora	R11860	Facility Plan	84,018	
Bandon	R12910	Facility Plan	71,607	
Bandon	R12911	Reserve Capacity; Sludge	1,500,000	
Bandon	R12912	Reserve Capacity; Sludge	1,500,000	
Canby	R20520	Facility Plan	127,700	
Carlton	R20880	Reserve Capacity	235,900	
Cascade Locks	R21310	Facility Plan	40,000	
Clackamas Co.	R22400	Facility Plan	663,381	
Clackamas Co.	R22401	Ultra-Violet Disinfection	2,914,744	
Condon	R23720	Facility Plan	40,000	
Condon	R23721	Sewage Treatment Plant	275,000	
Coquille	R24290	Facility Plan	52,647	
Coquille	R24291	Inflow/Infiltration	1,384,953	
Corvallis	R24480	Inflow/Infiltration	700,000	
Dallas	R26110	Facility Plan	380,000	
Dayville	R26760	Facility Plan	19,502	
Dufur	R29520	Interceptor Replacement	Not equiv.	
Eagle Point	R30020	Facility Plan	65,000	
Eagle Point	R30021	Sewage Transport System	1,800,000	
Eugene	R31790	Collector Sewers		1,917,776
Eugene	R31791	Collector Sewers		2,086,526
Eugene	R31792	Collector Sewers		2,086,526
Eugene	R31793	Collector Sewers		3,154,000
Eugene	R31794	Collector Sewers		3,699,572
Eugene	R31795	Collector Sewers		3,975,340
Eugene	R31796	Collector Sewers		3,710,508
Gold Beach	R37810	Collector Sewers		137,669
Gresham	R39180	Collector Sewers		1,383,200
Gresham	R39181	Collector Sewers		2,221,789
Gresham	R39182	Collector Sewers		1,637,795
Gresham	R39183	Collector Sewers		1,218,390
Gresham	R39184	Collector Sewers		2,320,340
Gresham	R39185	Collector Sewers		2,492,741
Gresham	R39186	Collector Sewers		3,779,995
Harrisburg	R41900	STP Improvements	410,000	
Independence	R47600	Facility Plan	30,000	
Joseph	R49800	Facility Plan	60,501	

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Borrower	Loan No.	Project Description	DISBURSEMENTS	
			Standard Projects	Collector/CSO Projects
Klamath Falls	R52600	Facility Plan	128,713	
Monroe	R66280	Chlorine Contact Chamber	28,320	
Mt. Angel	R67210	Sewage Treatment Plant	583,042	
Neskowin	R68650	Treatment Plant/Collectors	967,359	
Ontario	R70610	STP Improvements	9,807,366	
Ontario	R70611	STP Improvements	1,435,937	
Oregon City	R70650	Collector Sewers		3,164,162
Oregon City	R70651	Sewer Separation	914,907	
Portland	R74160	Collector Sewers		4,063,700
Portland	R74161	Collector Sewers		1,917,776
Portland	R74162	Collector Sewers		8,123,906
Prineville	R74680	Sewage Treatment Plant	2,267,286	
Redwood S.D.	R76080	Sewage Plant Expansion	5,679,567	
Rockaway	R78280	Pump Station Rehab	55,627	
Rogue River	R78490	Facility Plan	79,300	
St. Helens	R80160	Sewer Separation	1,200,000	
Sandy	R80490	Facility Plan	190,498	
Sheridan	R83810	System Improvements	390,000	
Siletz	R84460	Sewage Treatment Plant	580,000	
Springfield	R86770	Sewer Separation	1,075,000	
Tillamook Bay	R91560	Facility Plan	55,730	
Toledo	R91800	Facility Plan	49,646	
Tri-City S.D.	R92261	Facility Plan	184,596	
Tri-City S.D.	R92262	Alternative Disinfection	756,352	
Vale	R93220	Facility Plan	85,000	
Vernonia	R93640	STP Improvements	121,978	
Waldport	R94340	Collector Sewers		276,697
Winston-Green	R97790	Upgrade Regional Plant	6,816,235	
Woodburn	R98410	Facility Plan	380,000	
Yamhill	R99110	Facility Plan	34,000	
Totals			47,134,953	57,681,926

5. Conclusion

Table 5: Compliance with Equivalency Requirements as of 6/30/2001

		Requirement	Qualifying Disbursements
Standard Projects	>	\$ 35,448,194	\$ 47,134,953
Collector/CSO	<	\$ 31,221,346	\$ 31,221,346
Totals	>	\$ 66,669,540	\$ 78,356,299

Oregon has met the Title II Equivalency Requirement with a cushion of \$11,686,759.